

## An Economic History of Modern Sweden

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Sweden, I think it fair to say, is a source of considerable interest and intrigue in Britain. Nowhere has this been more evident than in the realm of British politics. The Labour Party have historically tended to be most obviously in thrall of the 'Swedish model' and Sweden's welfare state in particular, yet more recently Conservative politicians have been taking notice of developments in the country. This latter trend is not entirely surprising given the success of reform-minded centrist and centre-right parties in Sweden since 2006. Of course, a good deal of the reworking of the Swedish welfare system – much of which was performed by the Social Democrats – occurred during the 1990s in the wake of a financial crisis; doubtless a further reason for the current emphasis on Sweden's politics. All this attention on the country's welfare state, although admittedly selective, has generated something of a popular myth that tends to depict Sweden as some kind of social paradise (and, fortuitously, the Scandinavian climate presents ample opportunity for commentary on the weather, surely a fundamental necessity of any British utopian ideal).

The detrimental effect of this welfare state fixation in terms of scholarship has been a tendency to overlook the fuller picture of Swedish economic and social history. It would not take any researcher long to uncover a plethora of studies on the welfare state but good, book-length works taking a broader economic history approach are relatively few in the English language. Although fairly recent publications by Rodney Edvinsson and Lars Magnusson have been valuable contributions to the field they do not detract from the value and timeliness of Lennart Schön's book.<sup>(1)</sup> Indeed, whilst comparisons with Magnusson are warranted, their purposes being somewhat similar, Schön's work is far more accessible to the general reader than Edvinsson's study of the Swedish macro-economy.

The present book is a translation of one published in 2000, although Schön has taken advantage of this to

extend some comments in the work up to 2010. The work takes the 19th and 20th centuries as its core chronology and the key themes are economic growth and structural transformation, this long-run approach being a typical feature of Schön's studies. The book itself draws mainly on Schön's own prior research and the existing historiography rather than 'new' research per se. The result is not a textbook – although I imagine it could be used as such if desired – but rather a well-developed review of the long-term trends in Swedish economic history during the country's path to modernity. Much of the literature upon which Schön draws is unavailable in English and thus this book makes apparent at a glance the wealth of economic history scholarship available in Swedish whilst also bringing it into a coherent historical framework. As mentioned above, I believe that comparisons between Schön's *Economic History of Modern Sweden* and Magnusson's *Economic History of Sweden* are inevitable. Magnusson's work appeared in English in 2000 as an abridged translation of the original Swedish volume in 1996. Partly as a result of this abridgement both works cover a similar chronological span and outline long-term trends in economic history. What, beyond an additional word in the title, does Schön add to the historical discourse? Certainly, I think, this new book does not supersede Magnusson's, but nor is that the intention. Rather, the two works should be seen as complementary to one another in offering an introduction to, and overview of, Sweden's modern economic history. Magnusson pays more attention to the role of political economy than Schön does, whilst the latter provides a more developed discussion of structural change in terms of both the macro- and micro-economy.

Schön's study follows an essentially chronological organisation with the main exception to this being the initial chapter on 'Growth and transformation over two centuries', which approaches its topic in a thematic manner and doubles as a general introduction. Based on experience, and a regrettably broad generalisation, I can imagine a number of non-specialist readers will be tempted to skip this section and go straight to the information that they otherwise hoped to glean. This is, of course, a bad habit into which many of us fall at one time or another and in this case one would miss plenty of information vital to understanding Schön's method. Firstly, his periodic division of the key ages in Sweden's economic history is worth thinking about. Schön divides his work into five periods: transformation of agriculture (1790–1850), early industrialisation in agrarian society (1850–90), breakthrough of modern industrial society (1890–1930), growing service production and modern industrial society (1930–75), and breakthrough of the service economy or post-industrial society (1975 onwards). In the main I have no qualms with this division and it is thankfully shorn of the baggage that comes with relating periods to 'big events' in political history. Schön develops his stages on the basis of cycles of crisis, transformation, and rationalisation. Episodes of structural crisis, often international in scope, are central to dislodging the old and ushering in the new. The end result is one of structural change during a period of transformation and renewal of institutional arrangements, thereafter followed by a phase of stability during which improvements in efficiency are key. The Schumpeterian element in Schön's approach is evident here alongside the influence of Erik Dahmén's work on development blocks, some of which is available in English.<sup>(2)</sup> Innovation, and especially technical innovation, is clearly fundamental to such an analysis, but that is not to say that Schön sees history as the progressive march of invention. Instead it is the way in which innovation is adopted throughout society that is truly important, a process that is dependent on cyclical structural crises to realise its full potential. My strongest reservation with regard to this aspect of Schön's approach is that he does not, in my opinion, give over enough space to developments in economic thought that must surely form part of this cycle of creative destruction.

The other fundamental point that needs to be grasped in Schön's method is his structural model. He distinguishes his analysis from one based on an export-led model of economic growth by focusing instead on the domestic conditions as the foundations of transformation. Although exports are obviously important, especially in phases of rationalisation and in creating the circumstances for transmission of international crises, it is the domestic market that takes centre stage in transformative stages. Thus Schön is interested not in exports as the prime driver of structural changes but instead in how external factors, which have become increasingly important in a more integrated and globalised world, interact with domestic factors. The relative merits of the domestic model and an export-led model stimulate historical debate and are relevant to our present economic situation in Europe. The big question is whether Schön's domestic model of transformation can remain relevant in a more and more interdependent world. I suspect that it can, and I also suspect that commentators in 1913 might have considered a similar question before the inter-war breakdown

of international trade.

Each chapter of this study begins with a brief overview of the international context of the period. These segments are good at helping to place Sweden in a broader frame of reference and allow us to see the changes in Sweden's economic relations with Europe and the wider world. The chapter covering the period 1790–1850 deals with the beginnings of Sweden's transformation from an agrarian to an industrial society. Given that the available data for these years is limited relative to that available for later chapters, the analysis is impressive in its breadth. Schön engages in quantitative social history and ties this into his discussion of the other factors that drove forward economic developments. Indeed, this emphasis on the interconnectedness of the forces of transformation, rather than a focus on the primacy of a certain element, is typical of the book as a whole. The way in which industrial innovation impacted on agriculture is central to this period, as is the rise of a new dynamic of consumption. Imports rose faster than exports in the first half of the 19th century, partly stimulated by falling prices for luxury commodities, and the middle class began to consume quality goods. This in turn generated a shift in towards greater emphasis on income generation in order to enable further consumption, thus promoting the gradual growth of domestic commodity production. Improvements in infrastructure aided the integration of the Swedish market whilst banking reforms began to provide better access to credit, although this primarily benefitted agriculture initially, and promoted saving. Schön also points out a few peculiarities in Sweden's economic transition during the period, notably the fact that the expansion of mechanical workshops bore little relation to existing iron foundries since the majority of such workshops constructed their own foundries. Here some of the transnational trends of the time are exposed as Swedish manufacturers were unsurprisingly influenced by British methods, whilst Schön also points out that the proto-industrialisation of rural Sweden proved appealing to some in Britain who detested the expansion of manufacturing cities.

The middle of the 19th century, which for Schön marks the shift from agricultural transformation to the commencement of industrialisation proper, does not appear to me to match the general pattern of Schön's thesis on development blocks. The main impetus for industrialisation seems to be the increasingly rapid expansion of railways rather than an institutional step-change following a structural crisis (which in this case would be the 1848 revolutions). Schön points out that much of Europe decided to follow a strategy of industrialisation after these middle years of the century, yet in many ways this seems to be a reaffirmation of trends already in motion, albeit with a renewed emphasis. Moreover, Schön remarks that 'investment in both railways and heavy industry demanded new kinds of financing' (p. 74), which I cannot disagree with but I also think that a change in this aspect of the institutional model requires something supplementary to explain industrialisation. Perhaps this is to be found in a more vibrant entrepreneurial spirit stimulated in part by external factors, especially the manufacturing might of Britain. I am fully in agreement with Schön as to the primacy of domestic factors over export-led ones – the evidence suggests it is difficult to contend otherwise – and the inclusion of more emphasis on external factors would be consistent with this. All in all, it is probably the case that the cycle of crisis-transformation-stability works better in a society that has already undergone the transformation to modern industrial capitalism rather than in a period of commercial society. This also carries the implicit suggestion that such a cycle of renewal is not necessarily a permanent feature of history.

Leaving aside these minor comments, Schön's chapter on the years 1850–90 is remarkably thorough. The story becomes one of industry driving economic growth in a society still dominated by agriculture. At the heart of this discussion Schön poses the question of why Sweden did not become an underdeveloped country. It is here that the strength of an argument and analytical mode emphasising the domestic economy is most obvious, an export-led model being much simpler to expound but also less robust. Sweden's economic success in the 20th century is principally predicated on the fact that it did not develop a dual economy of a developed export sector and a more backward domestic market, this being largely thanks to the way in which economic institutions and large cross-sections of society helped to create domestic demand and a dynamic market through consumption and investment. The role of the state in this era is also of great importance and Schön points out that its involvement in economic transformation took a number of forms. At one end of the spectrum the state began to invest in infrastructure, especially railways, and increasing

urbanisation led to more focus on local government. At the same time, the state and the Riksdag promoted the liberalisation of markets, reduced regulation, and encouraged free trade. The Swedish state was especially important in laying the foundations for future prosperity given that Sweden's relatively small population relative to its geographic size made infrastructure development somewhat less desirable to private investors than was the case in other Western European countries.

The subsequent chapter deals with the important period of 1890–1930 when Sweden experienced its industrial breakthrough and the rate of GDP growth increased substantially. This roughly coincides with the Second Industrial Revolution, the progressive adoption of the internal combustion engine, and the start of a gradual move towards electric power. It is also a chronological span that features a period of fairly intense globalisation up to 1914 followed by a phase of stagnation and retreat in that same process. The fact that real wage rises in Sweden outstripped GDP growth during the years 1870–1910 was significant both in stimulating consumption demand and in creating conditions that constrained profitability in firms, ultimately leading to a need for rationalisation. Schön contends that the decades immediately preceding and succeeding the turn of the 20th century involved the formulation of many of the aspects we would come to associate with the 'Swedish model'. Two of the most notable institutional developments were the establishment of the Landsorganisationen i Sverige (the Swedish trade union confederation) and the Svenska Arbetsgivareföreningen (the Swedish employers' association). Meanwhile, social policy reoriented towards greater state intervention and concern with public welfare. The economic crisis of the early 1920s is given special attention by Schön and its effects on Sweden were considerable. The discussion makes for quite refreshing reading given that this sharp recession is usually given short shrift in many studies due to it being wedged between the common chronological breaks of the First World War and the Great Depression.

After 1930 a new cycle began in the aftermath of the Depression. This is one of the sections of the book in which I would have liked to have seen the discussion of economic thought developed further. Schön writes about the new ideology that strove to rectify the defects of the market and mentions both Keynes and the Stockholm School, but this could have been taken further. To what extent did the economic discourse in Sweden follow the ideas of the Stockholm School over those of Keynes? How direct was the impact of these new theories on economic policy? I suspect that these questions reflect more of my own interests and predispositions than anything else. Indeed, Schön's description of the evolution of economic policy itself in the chapter covering 1930–75 is more than sufficient for most readers. The picture for the period as a whole is one of industrial society at its peak and Schön is especially good at putting Sweden into the international context with the chapter broadly divided into pre- and post-Second World War sections. Sweden's relatively good fortune in the 1930s fed into its impressive success after the War but also created the structural conditions that made the next crisis relatively more severe. The mid-1970s oil price shocks mark the beginning of Schön's final chapter where the story is taken up to 2010. Here, of course, the international economy is central to Sweden's own experience and Schön expresses the complexities of the breakdown of Keynesian-inspired policy in impressive clarity. The challenges to the Swedish model are discussed and the reforms of the 1980s and 1990s are detailed. This period is a cycle considerably more convoluted in many ways than those that preceded it and is marked by a series of smaller crises and consequent periods of transformation beyond the main structural crisis of the mid-1970s. Schön does a good job of elaborating on these issues, which have ramifications for his approach, but it is unclear whether or not he sees this as indicative of a more fundamental alteration of the pattern, as it were, of economic transformation. It seems that in our own contemporary era the relationship and interaction between the long- and short-cycles of the economy has become more complex. Schön finishes his writing on an optimistic note by stating that the Third Industrial Revolution of the information technology age may well present opportunities for a country that has fostered knowledge and skills in a wide range of sectors.

Overall, Schön's study of Sweden's economic history over the previous two centuries is a work to be warmly welcomed into the English-language historiography. It justifies itself by providing a very neat overview of Schön's own prior research in the field, which is otherwise predominantly only available in Swedish, even before we account for the way in which it engages with the broader economic history discourse in Sweden. The scholarship on display here is thorough and the analytical methodology should

encourage us all to think critically about our own ways of studying history. I imagine that the book could potentially find a fairly broad audience of non-specialist academics and students beyond those with narrower interests in economic history or Sweden in particular. There is another, perhaps less obvious, role that Schön's history could play; since one of the great strengths of the text is its accessibility I rather hope that it may become a book sometimes deployed to introduce undergraduates to the discipline of economic history.

## Notes

1. Rodney Edvinsson, *Growth, Accumulation, Crisis: With New Macroeconomic Data for Sweden, 1800–2000* (Stockholm, 2005); Lars Magnusson, *An Economic History of Sweden* (London, 2000). [Back to \(1\)](#)
2. The best example of Dahmén's work available in English is Erik Dahmén, 'Development blocks in industrial economics', *Scandinavian Economic History Review*, 36 (1988). [Back to \(2\)](#)

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